


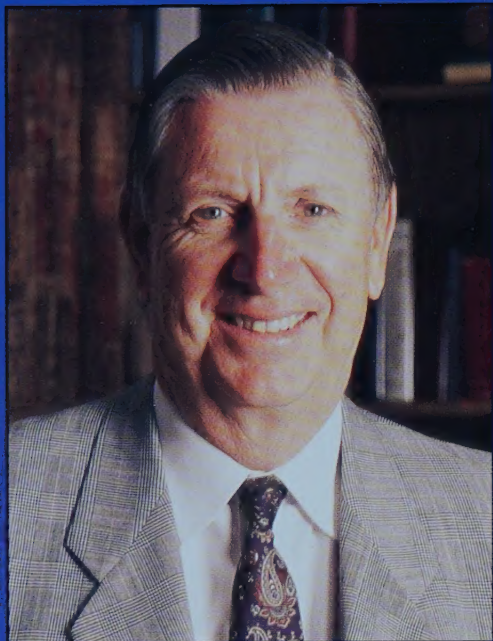
YEAR 2000

ANNUAL REPORT

AR65

 **SAMUEL MANU-TECH INC.**





ERNEST L. SAMUEL
1930 - 2000

Leader, Visionary, Entrepreneur, Friend, Optimist, Sportsman, Founder and above all, Gentleman. Ernie Samuel was all of these things and more.

The fourth generation of a family business dating back to 1855, Ernie inherited a company with annual sales of \$6 million and turned it into an international industrial organization with sales in excess of \$2 billion. Along the way he raised a family... and a generation of managers; he sailed for relaxation and sport; his horses won innumerable races and Olympic gold and his philanthropic efforts touched thousands of lives. For all of these endeavors he was recognized by his country with the honour of Officer of the Order of Canada.

Ernie founded Samuel Manu-Tech Inc. back in 1985 and was its only Chairman until his untimely passing in May 2000 following a brief illness. Ernie's entrepreneurial "can-do" spirit could be found throughout the organization and continues to empower the Company today. His hard work, dedication, vision and sense of fairness earned him the affection and respect of his employees, his peers and even his competitors. Ernie Samuel was a unique man.

**He will be missed.
He will be remembered.**

Company Profile

Samuel Manu-Tech Inc. was established as a publicly traded company in 1985. Previous to that time, the foundation operations had been part of the privately held Samuel, Son & Co., Limited group of companies whose origins date back to 1855. Samuel Manu-Tech Inc. has grown considerably since its creation, building on the tradition of excellence, dependability and durability from whence it came. Samuel Manu-Tech's operations are divided into three segments – Packaging, Metal Processing and Distribution. Packaging comprises the manufacture and distribution of steel and plastic strapping and related machinery and tools in North America and Europe as well as the manufacture and distribution of wire stitching equipment from Racine, Wisconsin. Metal Processing comprises the manufacture of stainless steel pipe and tube, roll formed products, steel pressure vessels and the pickling of steel. Distribution comprises the distribution of specialized metal products and wire rope and chain in Canada and of stainless steel long products in the United States.

The mandate of the Corporate Office is to provide the support necessary to make each segment a profitable, growing concern capable of maintaining a strong position in its industry. This is achieved by investing in and exploiting the most advanced production, quality control and communication technologies available... and by applying sound, thoroughly proven management philosophies and methods. The Company is also constantly seeking out new acquisitions and opportunities to enhance performance and shareholder value.

Good profits in the short term, superior return on investment in the long term, and a strong commitment to our customers, suppliers, employees and the environment ensure the Company's continued growth and success.

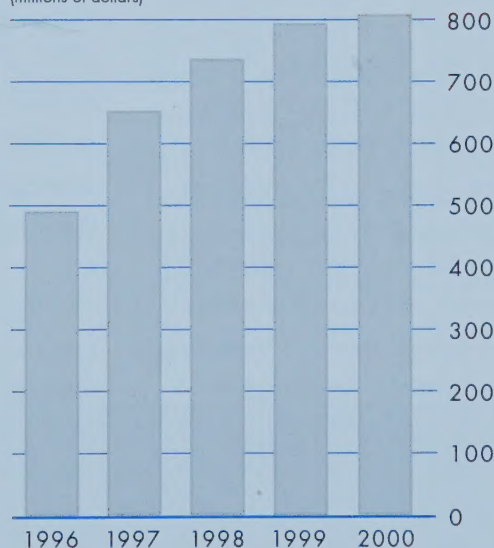
Samuel Manu-Tech's common shares are listed on The Toronto Stock Exchange under the trading symbol SMT.

Financial Highlights

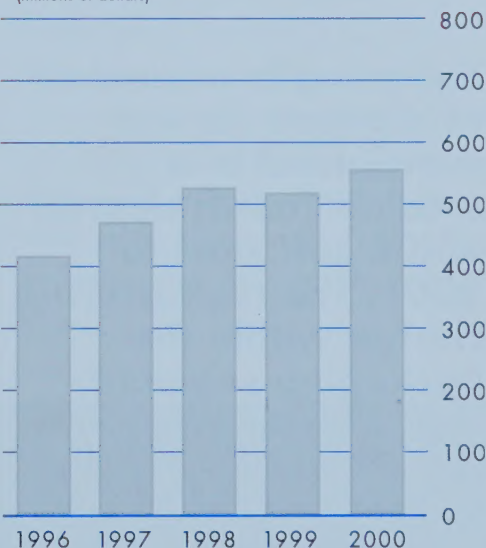
(thousands of dollars except per share amounts)

	2000	1999	1998
Net Sales	\$ 806,482	\$ 793,354	\$ 735,475
Earnings Before Interest, Tax, Depreciation, Amortization and Restructuring Charge (EBITDA)	81,828	89,214	71,604
Operating Profit Before Interest, Goodwill Amortization and Restructuring Charge	54,836	65,107	49,382
Earnings Before Goodwill Amortization	20,058	35,677	25,309
– per Share	0.59	1.03	0.73
Net Earnings	18,175	33,768	23,393
– per Share	0.53	0.98	0.68
Working Capital Provided from Operations	57,454	59,931	46,758
Fixed Asset Expenditures	26,730	20,753	38,348
Working Capital	159,113	149,811	145,252
Working Capital Ratio	2.2	2.2	2.1
Return on Average Shareholders' Equity	8.1%	15.6%	12.0%
Total Assets	555,098	511,534	524,402
Share Price at Year-End on TSE	5.70	7.00	9.25

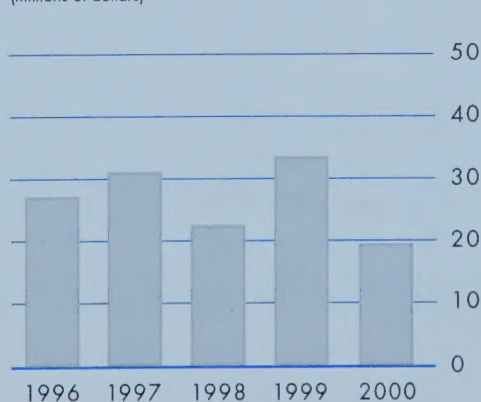
NET SALES
(millions of dollars)



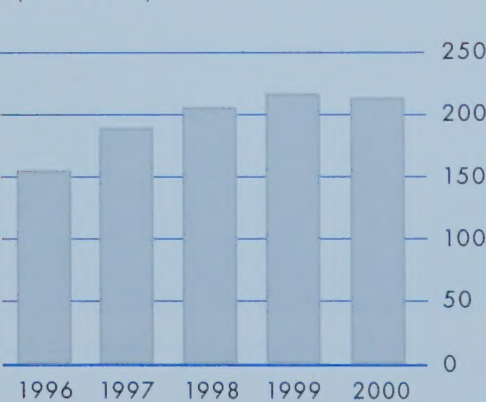
TOTAL ASSETS
(millions of dollars)



NET EARNINGS
(millions of dollars)



SHAREHOLDERS' EQUITY
(millions of dollars)





The Samuel Manu-Tech Board of Directors, from left to right: Henry J. Knowles, Q.C.; Rick M. Balaz; Mark C. Samuel; Elizabeth J. Samuel; Kenneth W. Harrigan, O.C.; Wayne K. Bassett, C.A.; Thomas H. Savage, CBE.

Softening in a number of markets served contributed to a weaker fourth quarter and a soft start to 2001. The restructuring charge within the Packaging segment strongly impacted results but positions us to achieve improved results in the future.

A year of challenge... A year of investment in the future... A year in which we lost our founder... and a year to analyze our strengths and weaknesses and to restructure ourselves for greater profitability and growth.

Samuel Manu-Tech Inc. (SMT), enjoyed a strong start to the year 2000 with sales through the first nine months ahead of the previous year and earnings matching the record pace set in 1999. Unfortunately, softening in a number of the Company's served markets including Automotive, Metals, Railcar and Forestry contributed to a weaker fourth quarter and a soft start to 2001. Late in 2000 management concluded our analysis of the Packaging segment of the Company and determined that a restructuring of the business and a re-evaluation of our goodwill position relative to certain of those assets were appropriate. The result of these actions, referred to in this report as the "Restructuring Charge", strongly impacted our results for the year... but positions us to achieve improved results in the future.

Sales for the year increased 1.7% to \$806.5 million, while net earnings decreased to \$18.2 million or \$0.53 per share. (The restructuring charge of \$11.2 million after tax negatively impacted earnings in 2000 by \$0.33 per share.) These results compare to sales of \$793.4 million and net earnings of \$33.8 million or \$0.98 per share in 1999. As a result, our return on average shareholders' equity declined from 15.6% to 8.1%.

The Packaging segment enjoyed positive results in 2000 from its Canadian operations but was not able to generate similar positive momentum south of the border... particularly in our plastic related initiatives. The strategy of the restructuring program within the Packaging segment is to improve profitability, maintain our core competency and to eliminate excess cost. To achieve these outcomes, our plan calls for a realignment of our system sales approach to better address the needs of the market... a consolidation of facilities providing cost reductions and improved utilization

Significant events for the future include the acquisition of WorldClass Processing and the installation of a new push-pull pickle line into Southern Ontario. Recent investments in manufacturing capabilities have led to operating efficiencies, new product development and strong financial results.

rates... the retirement of out dated equipment... manpower reductions... an investment in upgraded manufacturing capabilities for improved quality, efficiency and targeted product offerings... and the writing off of goodwill on those assets where a permanent impairment of value had been identified. Our strategy is well defined and significant portions have already been implemented. It is anticipated that the plan will be completed in 2001. The resultant cost savings, products and operating efficiencies will allow our Packaging segment to compete more effectively in the North American marketplace.

Our Metal Processing segment posted good results in 2000. Sales were comparable to the previous year while operating earnings declined by 16.1%. The principal factors in this decline in performance were lower demand for our custom roll formed products and reduced pickling volumes flowing from a slowdown in the automotive market. Significant events for the

future meanwhile included the acquisition in June of the assets of WorldClass Processing located in Ambridge, Pennsylvania... a push-pull pickling facility which fits nicely with our existing pickling locations. It also extends our processing capabilities to include an in-line temper mill and the ability to process 409 series stainless steel. We are also progressing well in our installation of a new push-pull pickle line into Southern Ontario. This line should be fully operational in the fourth quarter of this year. Finally, recent investments in our Pressure Vessel, Stainless Tube and Roll Forming manufacturing capabilities have led to operating efficiencies, new product development and strong financial results.

The Distribution segment improved its results in 2000 both in terms of sales and earnings. The majority of the increase in sales was produced by the U.S. operations while earnings improved on both sides of the border. Following an analysis of our operations and



One of the seven groups from our Canadian operations during the second session of the Corporate Management Leadership Training Program.



One of the two groups from our U.K. operations during the first session of the Corporate Management Leadership Training Program.

Consolidation and strategic expansion within the Distribution segment resulted in reduced costs and improved efficiencies. Corporate Management Training Program rolled out in 2000. SMT remains committed to the training of our people.

opportunities in the U.S. the decision was made to close our Cleveland location and to consolidate into our remaining locations. The results have been reduced costs and improved efficiencies. Subsequently, we have also opened up a new location in the Los Angeles area to better serve our customers. In the meanwhile, our Distribution segment continues to lead the way at SMT, investigating new opportunities in e-commerce for the Company.

The outlook for the Company in 2001 remains mixed. SMT will invest in excess of \$48 million to ensure that our facilities remain state-of-the-art and so that our products and services meet and exceed the needs of the marketplace. While cost containment programs are in place and difficult manpower reductions have already been implemented, the Company will also look to improved vitality in the automotive, forestry, railcar and metals arenas to generate improved demand for our products.

In last year's report we announced our intention to invest in the training of our employees. A number of location-specific

initiatives have been implemented and have proven effective. We also have rolled out our Corporate Management Leadership Training Program. In its first year alone, more than 290 employees have successfully completed the course and the benefits to the Company have been very positive. SMT remains committed to the training of our people.

As always, safeguarding of the environment and the health and safety of our employees are also primary considerations in our management of the business. Effective programs are in place, performance statistics are monitored and training is constantly updated to ensure that we operate in a consistently responsible manner. All applicable Federal, State and Provincial regulations are complied with and exceeded.

At SMT, our commitment to delivering products and services of the highest quality is paramount. All of our principal locations have achieved and maintained stringent quality certifications. Our training and monitoring programs, in combination with the dedication of our



One of the four groups from our U.S. operations during the second session of the Corporate Management Leadership Training Program.

Ernie Samuel's legacy will live on within our Company - we will follow in his footsteps - the path of tireless drive, integrity, loyalty, affection and respect...

highly skilled workforce and certain strategic investments, will provide for continued superior performance in this area.

Wallace Rayner, our Executive Vice-President and Chief Financial Officer, has recently announced his intention to retire in the first half of 2001. Wallace has been with the Company for over 11 years and has been a key contributor to the Company's acquisition strategy, growth and success. The Company intends to create two new positions, a CFO and a VP Corporate Development, to fill his shoes. We wish Wallace well in his retirement. He will be missed.

Finally, this report would not be complete without paying homage to our founder, Ernie Samuel. Our first and only Chairman since our humble beginnings in 1985, Ernie passed away in May 2000 after a brief illness. Samuel Manu-Tech Inc. was created out of Ernie's vision and perseverance. He fostered an

environment of achievement and entrepreneurship while maintaining the humanity and relationship-oriented focus of the Company's family business roots. Ernie's integrity, character and drive earned him the loyalty and affection of his employees... and the respect of customers, suppliers and competitors. There will be no replacing Ernie's contributions... just the responsibility to honour and build upon his legacy.

Thank you to our dedicated employees, our Board members and our shareholders for your continued enthusiasm and support.

Respectfully submitted,

Mark C. Samuel
President and CEO

Market downturn, high petroleum costs, and slowing of economy led to deteriorating profitability. Reorganization, consolidation of staff and equipment will generate substantial annual savings. Large strapping system equipment orders received as a result of our focus on value-added solutions.

Samuel Strapping Systems experienced a market downturn and deteriorating profit towards the end of 2000, and is forecasting continued slowing in our core markets through the first half of 2001.

In the North American market, the forestry, automotive and metals industries were weak with resultant lower sales. Plastic strapping margins were negatively impacted by significant raw material cost increases during the year due to high petroleum costs. The European division recorded lower margins due to the weak Euro currency exchange rate to the British pound, along with a softening of the domestic steel strapping market.

As a result of these market conditions, the Packaging divisions undertook an assessment of business improvement measures and cost reduction programs.

All geographical areas participated in the restructuring and streamlining program, with the majority of charges relating to the U.S. unit. The plastic side of our business continues to lag our profit goals, and action plans have been developed to address this issue. Facilities will be consolidated and higher utilization will be achieved in the remaining plants on a North American basis. Other plans include the realignment of the U.S. machine system sales, service and commercial sales force with resultant headcount reductions.

Our capital program in 2000 made investments in our plastic strapping manufacturing operations which will upgrade and replace inefficient manufacturing lines and result in increased capacity in high demand products, improved quality, delivery and reliability of our complete product range. Inefficient lines will be retired and the cost of the asset write down is included in the restructuring plans for 2000, with the resultant benefit in competitive cost products. The program overall will generate substantial annual savings, at a restructuring cost of \$18.6 million including headcount reduction and write-off of goodwill and fixed assets.

Our U.S. organization has recently consolidated to one computer system from two, allowing for improved management of the business, data exchange, and more effective interface with other locations. We have organized our sales force into core industry-focused groups throughout North America and Europe, allowing us

to concentrate our specialized sales, service and technical resources on these key market sectors.

In the steel sector we received large equipment orders, including one from a high volume steel processing operation in Grand Rapids, Michigan, based on our ability to engineer a complete automated packaging system solution, our ability to offer high quality consumable products, and systems manufacturing capability. Turnkey installations, as well as after sales service and support, completes the value-added offering to our customers. Similar installation successes, with the subsequent strapping sales, have been achieved in 2000 for the brick, block, paving stone, forestry, container and cotton baling industries in all geographic regions. In addition, major orders in newspaper bundling machines from Omaha, Nebraska, and Louisville, Kentucky represent a sampling of our focused strategy and successes.

Supplying value-added solutions to our customers through focussed industry groups will continue to be the cornerstone of our business moving forward. We will continue our approach to be more strategic in identifying growth areas and align our activities and focus with that of our customers. This will position us to be more competitive and contribute to the long-term success and profitability of our business.

A Part of a complete customized packaging line is this Samuel Titan VS12 (3/4"), spot-weld strapping head. It applies three eye-band steel straps to each slit coil, which is then transported along a conveyor to an automatic, rotating carousel.

B Two fully automated strapping systems represent the largest single equipment order in the history of the company. This total packaging solution helped increase the customer's productivity by up to 30%.





Successful completion of transition from manufacturer of commodity welded stainless steel pipe and tube to becoming a manufacturer of specialty tubing solutions. Prospects for stainless steel markets for 2001 are weak; however, our niche products will dampen some of the negative effect.

Towards the end of 2000, we successfully completed our three year long transition from being a manufacturer of commodity welded stainless steel pipe and tube to becoming a manufacturer of specialty engineered tubing solutions for our customers. This three-year process has included many successes and many failures - fortunately more of the former and fewer of the latter - so that we have emerged as a "new" company. This process was long and expensive, but well worth it, as we are now much more insulated from the vagaries and unpredictability of the stainless steel marketplaces. Although this process of change is never-ending, we are on solid ground to prosper over the next few years; never relaxing enough to forget that ongoing diligence

and redoubled creativity will be the hallmarks of our future success. Continuing to find and develop new specialty engineered tubing solutions for our customers is now a fundamental part of our culture.

Stainless steel began the year in tight supply and with firming prices, but by mid-year, demand and prices were weakening. By year-end, prices had fallen to historically low levels. The prospects for stainless steel markets during 2001 include continuing soft prices and over-supply. The niche nature of many of our special products, however, tends to dampen the negative effects on us of soft stainless markets.

On the demand side, we have continued to develop and advance our non-automotive cold drawing capability and support of heavy wall and light wall specialty engineered tubing requirements. Also, although undergoing significantly reduced release schedules late in 2000 and early in 2001, our special automotive tubing customers will be adding many new programs that will have the effect of moderating overall reductions. A major shift from coated carbon steel tubing to stainless steel tubing is well underway in our automotive fuel systems sector.

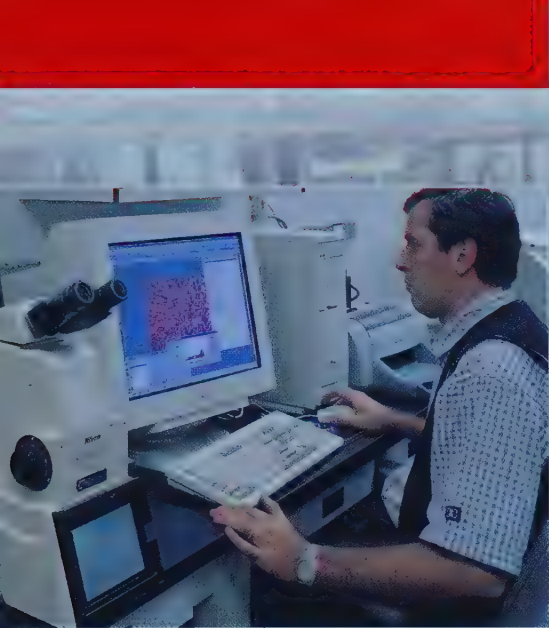
During 2000 we successfully completed two audits of our QS 9000 and ISO 9002 registration. Our emphasis on manufacturing high quality products within a rigorous quality assurance system continues to be paramount for us and our customers.

In addition, effective efforts in health and safety and environmental performance and training continue to receive the enthusiastic endorsement of all our employees. These important Corporate goals have, over the years, become part of our internal culture.

By combining leading-edge technology with an able and skilled work force, within an environment of steadfast Corporate commitment, we will continue to deliver on time, high quality, competitively priced stainless steel and high nickel alloy specialty engineered tubular products to our many customers.

To the right: We are experiencing exciting growth of specialty engineered products, developed to meet demanding applications requiring tight manufacturing tolerances, unique OD/wall combinations and proprietary profiles. Our engineering and quality departments provide innovative solutions and support to customer product development teams.





Continuing expansion in capacity, space and, most importantly, diversity. More components and finished parts produced as opposed to rolled sections - thus creating an edge over the competition. Overall focus is on two fronts - providing value-added operations, and business expansion.

The Roll Form Group continues to expand in capacity, space and, most importantly, diversity. Under Continuous Improvement Programs all locations improved product quality. Training at all levels has intensified and like Continuous Improvement is ongoing. More components and finished parts as opposed to rolled sections are being shipped to our customers. This differentiates us from much of our competition. Our overall focus lies in two areas: (1) the production of more complex products through in-line and off-line value-added operations; and (2) Group expansion through internal growth and acquisition.

The Brampton, Ontario plant supplies mid-range custom roll formed components with emphasis on processing that creates

value finished parts for our customers. We have become proficient in a specialized area combining in-line punching and welding with roll forming. Utilizing ultra high strength steel we are producing complex welded components for the transportation market with particular emphasis on the automotive industry. Our existing roll form welding line is currently running at capacity and we plan to add additional capacity in early second quarter 2001. To support our involvement in the automotive sector, we are upgrading our ISO quality program to the automotive standard of QS 9000. We balance this transportation focus by producing products for the agricultural, construction, material handling and mining markets. This balance positions us well for continued growth in 2001.

Our Cambridge, Ontario operation doubled its manufacturing space with a new 50,000 square foot building completed in the fourth quarter of 2000. This facility complements the existing one by focusing on value-added operations. Our transformation from a producer of heavy sections to a provider of large complex components proceeds as planned. Badly needed floor space in the original plant is now available for improved efficiency and additional production. Balance is achieved by shifting production from custom markets to standard construction products as sales and economic conditions dictate.

Our Mississauga, Ontario operation services the domestic building products industry as well as custom markets. In the past year, we became more aggressive in building products by opening a sales office and depot in Edmonton, Alberta to supply our Western customers. We also expanded our Eastern Canadian presence by offering supply and install services in the Maritimes. We balance this highly-competitive activity by servicing diverse custom markets with emphasis on the non-automotive transportation industry. Much focus has been placed on improving current manufacturing systems to improve quality and output.

Our Scarborough, Ontario plant is a producer of light-to-medium cold formed products. Balance is achieved by producing complex OEM components as well as highly competitive light gauge construction products. A new thirty-pass rafted mill was commissioned in 2000 and positions us well for custom work. An internet-driven order entry system was also introduced which feeds electronically processed orders directly into our production control system. In-line welding capabilities will be added in 2001 and the focus on complex value-added components will continue.

To the right: The Roll Form Group has the capability to produce parts as small as a few inches, at less than 50 oz., as well as long, heavy and wide steel sections measuring over 100 feet that weigh up to 4,000 lbs., with any other size and shape in between - from the simplest to the most complex.





Very strong first half of year. Automotive industry decline in second half coupled with an increase of flat rolled steel imports had negative impact - likely lasting at least through first half of 2001. Acquisition of WorldClass Processing extends pickling process capacity to over 3,500,000 tons annually.

The steel pickling and processing activities of the Metal Processing segment operate out of six different plants, two in Stoney Creek, Ontario, one in Nanticoke, Ontario, one in Ambridge, Pennsylvania and locations in Cleveland and Twinsburg, Ohio.

In June 2000, we purchased the assets of WorldClass Processing, located in Ambridge, Pennsylvania. This acquisition complements our current pickling and processing activities but also increases our pickling capabilities by extending our processing into two new market areas. This pickling line comes equipped with an in-line temper mill and also has the capability of pickling the 409 series of stainless

steel. Both of these processes represent opportunities for us to increase our market share.

Our pickling and processing operations serve a variety of industries but our primary market is the automotive industry. The first six months of 2000 continued to be very strong in the North American auto industry and consequently our businesses were doing well on both sides of the border. The automotive decline in the second half of the year, coupled with a dramatic increase in imports of flat rolled steel, have resulted in a pronounced decline in operating levels. Our 2000 results are down from our record operating levels of 1999.

With our Canadian operations at capacity throughout the first part of the year, we decided to go ahead with an expansion in Nanticoke. This facility will add another 450,000 tons of pickling capacity and is expected to be completed by the third quarter of 2001. With this expansion and with the WorldClass acquisition in June, we have extended our processing capacity to over 3,500,000 tons annually.

The slow down in business conditions experienced throughout the second half of 2000 is expected to remain for at least the first half of 2001. Trade actions have been

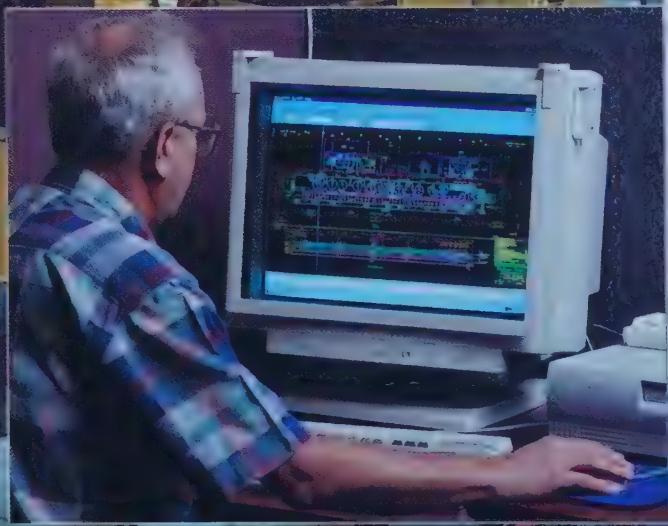
launched in both Canada and the United States by the North American Integrated Steel Mills. We are hopeful that these actions will be successful and greatly reduce the impact of imports in our marketplace. The continued decline in interest rates will, hopefully, also kick-start a failing automotive industry.

The decline in the automotive industry leading to the significant problems at the North American Integrated Steel Mills has, unfortunately, been bad news for our Consulting and Technology unit. Capital spending is declining and new projects have been delayed or cancelled. The unit does have one major project ongoing for 2001, a Brazilian project, along with our own Canadian expansion. We expect this project to be completed by the end of the year.

Interest in our technology remains high and our expectations are that we will maintain our market share of projects that proceed in the years to come.

To the right: Our teams in the steel pickling and coil slitting operations cover a wide range of duties, from system design, lab analysis, pickling line monitoring to coil slitting and packing and warehousing thousands of coils.





Record sales for the year 2000 despite weakening of economy in the second half. Venture into paint pot business contributed to additional revenues. New robotic equipment increased sales by over 5%. The stainless steel pressure vessel market will provide new opportunities.

We are one of the largest manufacturers of ASME (American Society of Mechanical Engineers) pressure vessels in North America serving the air compressor industry and other related sub-industries.

The pressure vessels are produced at our 100,000 square foot facility in Abingdon, Virginia. Additional warehouse space is located in Dallas, Texas and Oakville, Ontario, which services all of Canada.

Sales for the year 2000 were a record for the division and well above the previous year. After an extremely strong first half, sales began to weaken in the fourth quarter due to the slowing U.S. economy. Canadian warehouse sales were also at record levels with all sectors of the Canadian economy contributing to the strong results.

We have recently entered the stainless steel pressure vessel market and this is expected to become a significant segment of our business in future years. The division has traditionally only built ASME tanks from carbon steel. Orders are in production for the first volume run of these new tanks.

To further expand our business in 2000, we entered into the paint pot business and became the sole supplier to one of the world's largest suppliers of spray guns and paint equipment. The opportunity to enter this sector was made possible by the change in the National Fire Safety Code where it was mandated that all flammable substances must be stored in a certified container. Previously paint pots were not certified. This new business was achieved through the extensive use of our robotic equipment to produce growth in our sales by over 5%.

During 2000, we installed additional equipment to strengthen our capabilities and improve our bottom line results. The most significant of these were two state-of-the-art fully robotic machines. One machine currently has strictly plasma cutting and the other welding only. The machines can be retrofitted in the future to have both plasma and welding on a single machine. The introduction of these two pieces of equipment has enabled us to be more aggressive in the high volume small tank market where, in previous years, we were not

competitive. A new CNC press brake was also added replacing an existing older model which will produce quality parts quicker and with greater accuracy.

As we start the year 2001 we are cautiously optimistic despite business conditions in the United States which have slowed considerably. Entering new markets such as stainless steel will help reduce the impact of the slowdown while the continued strength in the Canadian market should contribute to positive results.

The year 2001 will be a challenging year, however, with our strong management team and a dedicated workforce we expect to achieve our objectives.

To the right: Robotic welder and plasma cutter have increased production speed resulting in growth of sales by over 5%. Retrofitting of the two machines could allow both operations to be executed by one machine.





Performance showed marked improvement over 1999. Consolidation of U.S. operations will result in considerable cost savings. New branch opened in Santa Fe Springs, California to service the west coast. E-commerce site is considered the best in the industry.

Unalloy Group is a diverse metals distribution business whose products find their way into a broad range of North American industry.

Our 2000 performance showed marked improvement over 1999 despite a soft second half of the year in both Canada and the United States. During the year much attention was focused on our e-commerce sites in both operations. We again won the industry award for best industry website. Late in the year we received approval and started installing software and hardware that will enable direct access with our legacy system for our customer base through the Internet. This will keep us well ahead of our competitors in the area of business-to-business and lead to enhanced returns as we go forward.

Our Canadian operations (Unalloy-IWRC) had mixed results for the year. Two of the segments, Tool Steel and Perforated Metals, met plan, while Stainless Steel, Wire Rope and Hardware Products missed plan marginally but still exceeded the prior year's results.

Our new Management Operating System enabled us to manage our assets better and improve productivity which, in turn, resulted in enhanced returns despite the sales shortfall.

Our U.S. operations (Energy Steel Products) also had mixed results. A strong first half was followed with soft market conditions in the second half. Sales plan was met overall, as were earnings which was a significant milestone considering the prior year's results.

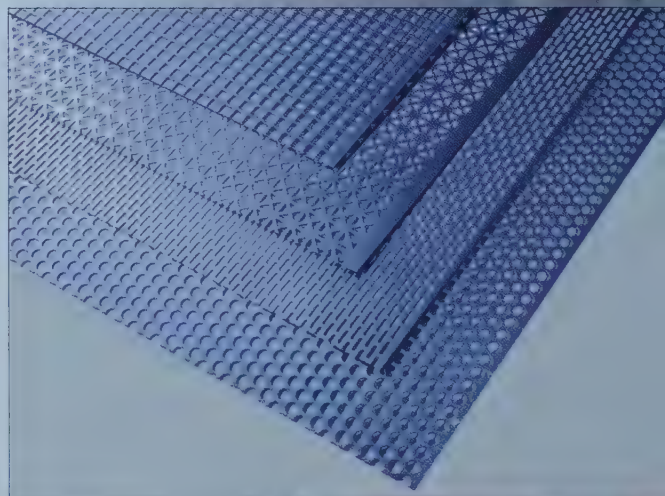
During the year we did a full review of branch operations which resulted in the decision to close our Cleveland operation. We will continue to service the market from Chicago and Philadelphia. This consolidation will result in considerable cost savings to the Company. We also opened a new branch in Santa Fe Springs, California to service the west coast marketplace.

2001 will see us operate in a soft marketplace that will present a challenge to attain our goals. At the Canadian operation we expect to consolidate and

enhance returns in the market segments we are currently in and search for new niche opportunities. Our U.S. operations are expected to continue to grow as we capture additional market share with our industry unique marketing plan.

The employees of the Unalloy Group are committed to being "The Best of Class" in their respective marketplaces and are well-positioned to outperform their segments in the year 2001 and beyond. As always, we need to be vigilant as to the ever-changing needs of our customers and be prepared to adapt, as required, while continuing to effectively manage our assets.

To the right: Our tool steel has a variety of uses within the metal working industry, such as high speed drills, extrusion dies and roll form tooling. Perforated metals are the choice of architects, interior and product designers.





RESULTS OF OPERATIONS

The Company classifies its businesses into three distinct segments - Packaging, Metal Processing and Distribution. Packaging comprises the manufacture and distribution of steel and plastic strapping and related machinery and tools in North America and Europe as well as the manufacture and distribution of wire stitching equipment from Racine, Wisconsin. Metal Processing comprises the manufacture of stainless steel pipe and tube, roll formed products, steel pressure vessels and the pickling of steel. Distribution comprises the distribution of specialized metal products and wire rope and chain in Canada and of stainless steel long products in the United States.

Net Sales

Net sales for 2000 were \$806.5 million, an increase of \$13.1 million or 1.7% over 1999 with higher sales in the Packaging and Distribution segments offsetting a decrease in Metal Processing. Results this year include the impact of the Metal Processing segment's WorldClass Processing unit which was acquired effective June 22, 2000.

Sales of the Packaging segment amounted to \$404.8 million, which is \$2.8 million or 0.7% higher than the \$402.0 million achieved in 1999. Although full-year sales are ahead of last year, the weakness noted in the September quarter accelerated in the final quarter of the year due to the slowing in the North American economy. As a result, fourth quarter sales were 11.5% down from the previous year with weakness noted in all geographic areas. Sales in Canada were marginally ahead of last year despite the fourth quarter decline, aided by increased sales of plastic strapping and product identification products. In the U.S., although full-year sales were the same as the previous year, they were below expectations. Performance was poor in plastic strapping due to intense competition and a slowdown in the conversion from steel strapping to plastic. The weakness in plastic strapping became even more pronounced in the final quarter of the year as the U.S. economy slowed and sales of plastic strapping machines and tools also declined. Sales in the United Kingdom were ahead of last year despite exports being affected by the strength of the British pound and intense competition from mainland Europe.

Although the capital spending and restructuring initiatives that have been put in place are expected to have a positive impact on overall performance, growth in Packaging sales will be highly dependent on an improvement in the outlook for the North American economy.

Metal Processing sales in 2000 amounted to \$302.7 million which represents a decrease of \$2.7 million or 0.9% from last year's \$305.4 million. Within this segment, sales of stainless steel pipe and tube were below last year due to a reduction in sales of lower margin commodity pipe products. Sales of roll formed products also declined from last year, primarily due to a change in product mix which resulted in lower sales of custom products. Pickling sales volumes were ahead of last year despite a slowdown in automotive-related activity in the second half of 2000, with the increase due to the

acquisition of WorldClass Processing based in Ambridge, Pennsylvania. Sales of pressure vessels were well ahead of the previous year. Weakness in markets currently served by the Metal Processing segment would indicate that sales are unlikely to increase in 2001.

Distribution sales were \$99.0 million in 2000 which represents a 15.2% increase over 1999's \$86.0 million. Although there was a small increase in sales in Canada, the major growth in the year occurred at the U.S. unit which benefitted from increased market penetration and strong sales to energy-related customers in the Texas market place. Despite current soft market conditions, higher sales are anticipated in 2001 primarily due to an expected increase in market share in the United States.

Sales in 2000 by our U.S. and U.K. operations, together with exports by Canadian divisions, accounted for \$483.0 million or 59.9% of total Company sales, compared to \$473.8 million or 59.7% last year.

Earnings

Operating earnings before interest, goodwill amortization and a restructuring charge amounted to \$54.8 million in 2000, a decrease of \$10.3 million or 15.8% from 1999. The major reasons for the decrease were lower earnings in the Packaging and Metal Processing segments.

At the Packaging segment, operating earnings were \$14.1 million which represents a decrease of \$6.8 million or 32.6% from last year's \$20.9 million. Despite a slowdown in the final quarter of the year, profits of the Canadian operation increased over the previous year as a result of higher sales, improved margins and lower expenses. In the U.S., while sales levels were comparable to the previous year, operating profits were substantially down from 1999. Although the slowing economy contributed to the lower earnings, the major reason for the profit decline was poor performance in plastic strapping. Sales and margins were negatively impacted by intense competition and raw material cost increases that could not be fully passed into the market, while manufacturing costs increased due to the under utilization of production facilities. Although sales were higher at the U.K. operation, earnings were down due to lower margins in domestic markets as a result of intense competition from mainland Europe.

As a result of the deteriorating profitability and the continuing problems with plastic strapping, senior management undertook a detailed review of all operations in order to eliminate redundant or duplicated costs, equipment and facilities. All geographical units participated in the restructuring with a majority of the charges relating to the U.S. The review also concluded that a portion of the goodwill which had been acquired with the Interlake acquisition in 1996 had become permanently impaired and should be included in the restructuring charge. The aggregate restructuring charge of \$18.6 million is comprised of a write-off of redundant, obsolete and inefficient equipment and property \$7.0 million; severance and other costs associated with consolidation and relocation \$3.8 million; and the write-off of unamortized goodwill \$7.8 million.

Despite the current economic slowdown, an improvement in Packaging profits is expected in 2001 primarily as a result of cost savings flowing from the restructuring plans which it is anticipated will have been put in place by the end of the first quarter.

Operating earnings of the Metal Processing segment in 2000 amounted to \$41.6 million, a decrease of \$8.0 million or 16.1% from \$49.6 million last year. The major reason for the decline is a reduction in earnings from roll form products due to reduced shipments of heavy custom sections to the railroad industry. Profits from pickling operations were also down from last year despite the contribution from WorldClass Processing because of reduced demand flowing from the slowdown in the automotive industry in the second half of 2000 and lower technology income. Earnings from the sale of stainless steel and pipe were ahead of last year, however, primarily due to an improved product mix as this unit continues its migration from commodity to specialty engineered stainless tube products. Earnings from the sales of pressure vessels were ahead of last year. An improvement in Metal Processing profits in 2001 will be dependent on the duration of the current economic slowdown.

The Distribution segment achieved a profit of \$2.9 million in 2000 which is an improvement of \$4.0 million from the loss of \$1.1 million last year. Earnings at the Canadian unit were well ahead of the previous year primarily due to improved margins on the sale of stainless steel products. The U.S. unit also turned in a positive performance compared to a loss last year despite profits being negatively impacted by the cost of opening and relocating warehouses. These costs are not expected to be repeated and provided the current slowdown does not extend throughout 2001, increased profits are expected from Distribution activities.

Operating earnings in 2000 were also affected by \$1.5 million related to costs associated with the Company's research and development projects. The cost of activities of a similar nature in 1999 was \$1.9 million.

Interest expense for the year was \$13.4 million compared to \$12.9 million last year. Although aggregate borrowings at the end of 2000 were substantially higher than at the end of the previous year, the impact on interest expense was relatively minor as average borrowings during 2000 were actually lower than in 1999. The increase of \$0.5 million in 2000 relates primarily to the fact that less interest was capitalized to major projects in 2000 compared to 1999. Interest revenue increased to \$0.3 million from \$0.2 million in 1999.

The Company's effective tax rate decreased to 12.7% in 2000 from 32.4% in the previous year primarily due to the impact of lower tax rates in foreign jurisdictions and the tax benefit of losses in the U.S. which are taxed at a higher tax rate. Also, as a result of adopting the new recommendations of the CICA with respect to accounting for income taxes, the effective tax rate is reduced as previously unrecognized temporary differences are reversed resulting in a credit to future income tax expense.

Earnings before goodwill amortization but after the restructuring charge for 2000 were \$20.1 million or \$0.59 per share which represents a decrease of \$15.6 million or 43.8% from the \$35.7 million or \$1.03 per share earned last year. The restructuring charge of \$11.2 million after tax negatively impacted earnings in 2000 by \$0.33 per share. Net earnings were \$18.2 million or \$0.53 per share which reflects a decrease of 46.2% from the \$33.8 million or \$0.98 per share earned last year.

Net earnings as a percentage of sales were 2.3% in 2000 compared to 4.3% in 1999 with the decrease reflecting the lower earnings from the Packaging and Metal Processing segments and the restructuring charge related to the Packaging segment. Earnings before interest, taxes and depreciation and the restructuring charge (EBITDA), were 10.2% of sales in 2000, compared to 11.3% achieved last year.

Provided economic conditions improve as expected in the second half of 2001, the Company expects that earnings will be higher chiefly arising from the restructuring initiatives in the Packaging segment.

FINANCIAL CONDITION

Liquidity and Capital Resources

Cash flow from operations before changes in non-cash working capital in 2000 amounted to \$57.5 million which is down \$2.4 million from \$59.9 million in the previous year. Overall cash flow from operating activities declined to \$34.2 million from \$65.8 million reflecting increased requirements for non-cash working capital.

Cash used for investing activities at \$52.4 million is well above last year's \$21.1 million and is due to increased spending on fixed assets and business acquisitions. Cash used for financing activities amounted to \$2.1 million this year compared to \$18.0 million last year. During 2000, the Company spent \$6.7 million on the purchase of 1,149,400 shares under its Normal Course Issuer Bids. Dividends paid on common shares amounted to \$6.8 million in 2000 compared to \$5.5 million in 1999 reflecting an increase in the quarterly dividend rate to \$0.05 per share from \$0.04 per share the previous year.

In aggregate, cash and cash equivalents decreased in 2000 by \$20.2 million compared to an increase of \$27.1 million in 1999. The cash decrease in the current year has resulted in higher bank indebtedness.

Capital Expenditures

Capital expenditures in 2000 of \$26.7 million approximated the value of depreciation and amortization which amounted to \$27.0 million and was above 1999's capital spending which totalled \$20.8 million. Expenditures in 2000 were related primarily to the new pickling line at Nanticoke, Ontario, the expansion of the Roll Form facility in Cambridge, Ontario, plastic strapping machine upgrades in the United States and to new and replacement machinery at all

manufacturing facilities. Capital spending in 2001 is expected to approximate \$48.0 million and will be financed from internally-generated funds. Major projects include completion of the new pickling line at Nanticoke, Ontario, upgrades to the steel strapping lines in Mississauga, Ontario, upgrades at both the Mississauga and Cambridge plants of CMRM and equipment purchases at a number of other facilities.

Actual capital commitments outstanding at the end of 2000 amounted to \$27.7 million compared to \$8.2 million at the end of 1999 and relate primarily to the Nanticoke pickling line and equipment purchases at a number of facilities.

Business Acquisitions

Business acquisitions in 2000 amounted to \$27.1 million compared to \$3.4 million in 1999. Effective June 22, 2000, the business and net assets of WorldClass Processing Inc. were acquired at a cost of \$27.1 million. WorldClass, based in Ambridge, Pennsylvania, is a toll-processor of hot rolled carbon coils and stainless steel and complements the activities of the Company's Steel Pickling Group.

Working Capital

Working capital at December 31, 2000 was \$159.1 million, an increase of \$9.3 million from \$149.8 million at December 31, 1999 with the increase due to a higher investment in inventories and taxes recoverable in future years which were financed from an increase in bank indebtedness and cash flow from operating activities. The working capital ratio at year end was 2.2 which is unchanged from the previous year. The Company continues to maintain credit facilities with various banks and, at December 31, 2000, had available unused credit facilities of approximately \$60.0 million.

Net Borrowings to Capitalization

The Company's net borrowings at the end of 2000 amounted to \$208.7 million, an increase of \$37.9 million from \$170.8 million at the end of the previous year. This increase reflects the increase in spending on business acquisitions and the higher investment in working capital. The net debt to capitalization ratio at the end of 2000 increased to 48.5% from 42.8% last year.

New Accounting Principles

Effective January 1, 2000, the Company adopted the new recommendations of the CICA with respect to accounting for income taxes and accounting for employee future benefits. The cumulative effect of adopting the liability method of tax allocation, on a retroactive basis without restating the financial statements of prior periods, was a decrease to retained earnings of \$10.0 million, an increase to the cumulative translation adjustment of \$0.5 million and an increase to future income taxes of \$9.5 million. The effect of adopting the recommendations with respect to employee future benefits, on a prospective basis, was not material.

Shareholders

As a result of the lower net earnings in 2000, the return on average shareholders' equity decreased to 8.1% from 15.6% last year reflecting the decreased profitability in the Packaging and Metal Processing segments of the Company as well as the restructuring charge. The book value per share was \$6.66 at the end of 2000, which is an increase of only \$0.03 per share over last year's \$6.63 as retained earnings were negatively impacted by the reduced earnings in the current year, the change in accounting for income taxes and the charge related to shares purchased under the Issuer Bid.

Under its Normal Course Issuer Bids, the Company purchased and cancelled 1,149,400 common shares at an average price of \$5.839 per share for a total consideration of \$6.7 million of which \$5.8 million was charged to retained earnings representing the cost of the shares purchased in excess of their stated value. Of the total shares purchased, 320,400 relate to the Issuer Bid which ended on August 18, 2000 and 829,000 relate to the Issuer Bid which commenced on August 19, 2000. This latter Issuer Bid approves the purchase by the Company of up to 1,713,277 common shares during the one-year period commencing August 19, 2000.

Financial Summary

(thousands of dollars except per share amounts)

	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Net Sales	\$806,482	\$793,354	\$735,475	\$657,556	\$493,192	\$397,556	\$317,563	\$242,948	\$190,984	\$170,056
Earnings from Operations	18,175	33,768	23,393	30,555	26,913	25,111	20,455	12,482	8,633	6,273
-per Share	0.53	0.98	0.68	0.88	0.78	0.73	0.59	0.36	0.25	0.18
Net Earnings	18,175	33,768	23,393	30,555	26,913	25,111	20,455	12,482	4,231	5,759
-per Share	0.53	0.98	0.68	0.88	0.78	0.73	0.59	0.36	0.12	0.17
Working Capital Provided										
from Operations	57,454	59,931	46,758	52,079	42,183	36,316	28,354	17,170	14,072	10,233
Fixed Asset Expenditures	26,730	20,753	38,348	21,900	21,849	18,943	27,819	6,129	11,695	5,666
Average Shares Outstanding	34,143	34,537	34,567	34,584	34,584	34,584	34,588	34,648	34,888	34,920

Management's Responsibility for Financial Reporting

The consolidated financial statements and other information in this annual report are the responsibility of management. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect estimates based on the best judgement of management. The financial information presented throughout this annual report is consistent with the financial statements.

Management maintains accounting systems which incorporate extensive internal financial controls designed to safeguard assets from loss or unauthorized use and ensure the accuracy of the financial records. An internal audit program has been established to review and evaluate the accounting records and internal controls with findings and recommendations reported to management and the Audit Committee.

KPMG LLP, an independent firm of Chartered Accountants, has been appointed by the shareholders as external auditors of the Corporation. The Auditors' Report to the Shareholders, which describes the scope of the examination and expresses their opinion on the consolidated financial statements is presented on this page.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Board exercises its responsibility through its Audit Committee, the majority of whose members are not employees of the Corporation. This Committee meets regularly with the independent auditors and management, including internal audit staff, to satisfy itself that the responsibilities of the respective parties are properly discharged and to review the consolidated financial statements before they are presented to the Board for approval.



Mark C. Samuel
President and CEO



Wallace H. Rayner
Executive Vice-President
and Chief Financial Officer

February 12, 2001

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of SAMUEL MANU-TECH INC. as at December 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Mississauga, Canada
February 12, 2001

Consolidated Statements of Earnings

(in thousands of dollars except per share amounts)
Years ended December 31, 2000 and 1999

	2000	1999
NET SALES	\$ 806,482	\$ 793,354
COSTS (INCOME) AND EXPENSES:		
Cost of sales, selling and administration	724,654	704,140
Depreciation and amortization	26,992	24,107
Interest on long-term debt	11,908	11,763
Interest on short-term debt	1,476	1,146
Interest income	(342)	(179)
	764,688	740,977
EARNINGS BEFORE RESTRUCTURING CHARGE, INCOME TAXES AND GOODWILL AMORTIZATION	41,794	52,377
RESTRUCTURING CHARGE (note 2)	18,586	—
EARNINGS BEFORE INCOME TAXES AND GOODWILL AMORTIZATION	23,208	52,377
INCOME TAXES:		
Current	10,822	15,533
Future	(7,672)	1,167
	3,150	16,700
EARNINGS BEFORE GOODWILL AMORTIZATION	20,058	35,677
GOODWILL AMORTIZATION, net of income taxes	1,883	1,909
NET EARNINGS	\$ 18,175	\$ 33,768
NET EARNINGS PER SHARE BEFORE GOODWILL AMORTIZATION	\$ 0.59	\$ 1.03
NET EARNINGS PER SHARE	\$ 0.53	\$ 0.98

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

(in thousands of dollars)
Years ended December 31, 2000 and 1999

	2000	1999
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 193,957	\$ 166,361
CHANGE IN ACCOUNTING POLICY FOR INCOME TAXES (note 10)	(10,004)	—
NET EARNINGS	18,175	33,768
DIVIDENDS PAID ON COMMON SHARES	(6,795)	(5,523)
SHARES PURCHASED AND CANCELLED	(5,781)	(649)
RETAINED EARNINGS, END OF YEAR	\$ 189,552	\$ 193,957

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

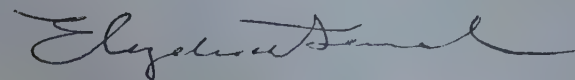
(in thousands of dollars)

Years ended December 31, 2000 and 1999

	2000	1999
ASSETS		
CURRENT ASSETS:		
Cash and short-term deposits	\$ 7,009	\$ 8,538
Accounts receivable	114,405	115,139
Inventories (note 3)	160,914	145,300
Prepaid expenses and sundry	3,607	4,134
Income taxes receivable	555	—
Future income taxes (note 10)	9,343	—
	295,833	273,111
FIXED ASSETS (note 4)	201,741	180,529
FUTURE INCOME TAXES (note 10)	10,617	—
DEFERRED PENSION COSTS (note 5)	4,372	4,282
INTANGIBLE ASSETS, net of amortization (note 6)	42,535	53,612
	\$ 555,098	\$ 511,534
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	\$ 36,722	\$ 18,063
Accounts payable and accrued liabilities	86,329	90,013
Dividends payable	1,673	1,392
Income taxes payable	—	1,611
Current portion of long-term debt (note 7)	11,996	12,221
	136,720	123,300
LONG-TERM DEBT (note 7)	166,984	149,025
POST-RETIREMENT BENEFITS		
OTHER THAN PENSIONS (note 5)	3,751	4,050
FUTURE INCOME TAXES (note 10)	25,834	6,624
	333,289	282,999
SHAREHOLDERS' EQUITY:		
Capital stock (note 8)	26,951	27,882
Retained earnings	189,552	193,957
Cumulative translation adjustment	5,306	6,696
	221,809	228,535
COMMITMENTS AND CONTINGENCIES (note 9)		
	\$ 555,098	\$ 511,534

See accompanying notes to consolidated financial statements.

ON BEHALF OF THE BOARD OF DIRECTORS



(Signed) E. J. Samuel, Director



(Signed) M. C. Samuel, Director

Consolidated Statements of Cash Flows

(in thousands of dollars)

Years ended December 31, 2000 and 1999

	2000	1999
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net earnings	\$ 18,175	\$ 33,768
Items not involving cash:		
Depreciation and amortization	26,992	24,107
Goodwill amortization	2,383	2,409
Restructuring charge, net of tax	11,186	—
Future income taxes	(594)	1,167
Increase in deferred pension costs	(257)	(938)
Decrease in post-retirement benefits other than pensions	(431)	(582)
	57,454	59,931
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	4,861	(9,285)
Decrease (increase) in income taxes receivable	(2,034)	241
Decrease (increase) in inventories	(15,840)	7,156
Decrease (increase) in prepaid expenses and sundry	939	(717)
Increase (decrease) in accounts payable and accrued liabilities	(11,223)	8,458
	34,157	65,784
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Proceeds on sale of fixed assets	1,656	2,958
Loss (gain) on disposal of fixed assets	(312)	136
Purchase of fixed assets and intangible assets	(26,730)	(20,753)
Business acquisition	(27,056)	(3,444)
	(52,442)	(21,103)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Purchase of common shares	(6,712)	(725)
Increase in long-term debt	25,868	5,393
Repayment of long-term debt	(14,487)	(17,119)
Dividends paid on common shares	(6,795)	(5,523)
	(2,126)	(17,974)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	223	401
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,188)	27,108
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(9,525)	(36,633)
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ (29,713)	\$ (9,525)

Cash and cash equivalents is comprised of cash and short-term deposits less bank indebtedness.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(in thousands of dollars except per share amounts)

Years ended December 31, 2000 and 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. Significant accounting policies adopted by the Company are as follows:

(a) Principles of consolidation:

These consolidated financial statements include the accounts of all subsidiaries and the Company's proportionate share of assets and liabilities of a partnership, after elimination of material intercompany balances and transactions.

(b) Inventories:

Raw materials are valued at the lower of cost and replacement cost. Work in process and finished goods are valued at the lower of cost and net realizable value.

(c) Fixed assets, depreciation and amortization:

Fixed assets are recorded at their historical cost. Depreciation and amortization are provided based on the estimated useful lives of the assets at the following annual rates:

Declining-balance basis:

Furniture and fixtures	20%
Trucks and automobiles	at rates varying from 20% to 30%

Straight-line basis:

Buildings	at rates varying from 3% to 5%
Machinery and equipment	at rates varying from 7% to 20%
Leasehold improvements	over the terms of the leases

(d) Employee benefit plans:

Effective January 1, 2000, the Company adopted the new recommendations of The Canadian Institute of Chartered Accountants ("CICA") with respect to accounting for employee future benefits. The new standards have been applied prospectively and the transitional asset is being amortized on a straight-line basis over the average remaining service lives of the members. The discount rate used for determining current service cost and the liability for future benefits is the current interest rate at the balance sheet date on high quality fixed income investments with maturities that match the expected maturity of the obligations. In prior years, the discount rate used for pensions was management's estimate of the long-term interest rate.

Earnings are charged with the cost of benefits earned by employees as services are rendered. The cost reflects management's best estimates of the pension plans' expected investment yields, wage and salary escalation, mortality of members, terminations and the ages at which members will retire. Adjustments arising from pension plan adjustments and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service lives of the members. The average remaining service life of the members is 15 years.

The difference between pension cost, determined on an accounting basis, and the funding of pension costs, as required by regulatory authorities, gives rise to a timing difference in the recognition of pension expense, which appears on the balance sheet as deferred pension costs.

The Company is responsible for continuing to provide health care and life insurance benefits for certain retired employees. The amount of the accumulated post-retirement benefits obligation has been actuarially determined and benefit costs are charged against the obligation as incurred.

(e) Intangible assets:

Intangible assets represent goodwill arising upon consolidation of subsidiaries, a licence, patents and other intangible assets acquired, all of which are being amortized by charges to earnings on a straight-line basis over periods not exceeding twenty years.

The Company assesses the recoverability of goodwill by determining whether the amortization of the goodwill balance over its remaining life can be recovered through projected undiscounted future operating results. Impairment, if any, is measured based upon an estimate of the fair value of the goodwill.

(f) Income taxes:

Effective January 1, 2000, the Company adopted the liability method of accounting for income taxes as provided for in the new recommendations of the CICA. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and are measured using the substantively enacted tax rates and laws anticipated to apply in the periods that the differences are expected to reverse. Previously, the deferral method was used, based on differences in the timing of reporting income and expenses in financial statements and tax returns, and measured at the tax rate in effect in the year the differences originated. The new method was applied retroactively without restatement of the financial statements of prior periods.

(g) Earnings per share:

Earnings per share are calculated using the weighted average number of shares outstanding during the year.

(h) Foreign exchange translation:

Assets and liabilities of self-sustaining foreign operations are translated to Canadian dollars at year-end exchange rates. Income and expenses are translated at average exchange rates during the year. Cumulative exchange differences arising on translation of the financial statements of the foreign operations are deferred and reported in a foreign currency translation adjustment account in the shareholders' equity section of the consolidated balance sheets.

(i) Derivative financial instruments:

The Company uses forward exchange contracts to manage the risk from fluctuations in exchange rates. All such instruments are used for risk management purposes only. The income or expense arising from these activities is offset against the item hedged. Unrealized gains or losses on outstanding contracts are not recorded in the financial statements until maturity of the underlying transactions.

(j) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(k) Stock option plan:

The Company has a stock option plan which is described in note 8. No compensation expense is recognized for this plan when stock options are issued. Any consideration paid on exercise of stock options is credited to share capital. If stock options are repurchased, the excess of the consideration paid over the carrying amount of the stock option cancelled is charged to retained earnings.

2. RESTRUCTURING CHARGE:

The 2000 financial results of the Company include a pre-tax charge of \$18,586 (\$11,186 after tax) associated with restructuring actions within the Packaging segment comprising \$3,797 for severance and other expenses associated with eliminating redundant or duplicated costs, a writedown of \$6,994 relating to assets which were affected by the restructuring and \$7,795 relating to goodwill which was determined to be permanently impaired. At December 31, 2000, the liability for restructuring charges included in accounts payable was \$1,954.

3. INVENTORIES:

Inventories are comprised of the following:

	2000	1999
Raw materials	\$ 33,303	\$ 33,353
Work in process	9,835	9,085
Finished goods	117,776	102,862
	\$ 160,914	\$ 145,300

4. FIXED ASSETS:

2000	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 10,880	\$ -	\$ 10,880
Buildings	64,840	16,341	48,499
Machinery and equipment	248,195	114,138	134,057
Furniture and fixtures	17,441	12,257	5,184
Trucks and automobiles	3,084	1,673	1,411
Leasehold improvements	4,675	2,965	1,710
	\$ 349,115	\$ 147,374	\$ 201,741

1999	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 10,900	\$ -	\$ 10,900
Buildings	59,908	14,054	45,854
Machinery and equipment	215,219	102,855	112,364
Furniture and fixtures	16,465	8,279	8,186
Trucks and automobiles	2,851	1,628	1,223
Leasehold improvements	4,577	2,575	2,002
	\$ 309,920	\$ 129,391	\$ 180,529

5. DEFERRED PENSION COSTS:

The Company adopted the new recommendations of the CICA regarding accounting for employee future benefits on a prospective basis.

The Company has a number of defined contribution and defined benefit pension plans providing pension benefits to most of its employees. The total expense for the Company's defined contribution plans for 2000 was \$1,724. Information about the Company's defined benefit plans is as follows:

	Pension plans	Other benefit plans
PLAN ASSETS:		
Fair value, beginning of year	\$ 80,873	\$ -
Actual return on plan assets	3,898	-
Employer contributions	2,212	-
Employee contributions	473	-
Benefits paid	(3,725)	-
Fair value, end of year	\$ 83,731	\$ -

	Pension plans	Other benefit plans
ACCRUED BENEFIT OBLIGATION:		
Balance, beginning of year	\$ 75,861	\$ 4,541
Current service cost	3,345	-
Interest cost	5,014	295
Benefits paid	(3,725)	(462)
Actuarial gain	(2,093)	-
Balance, end of year	\$ 78,402	\$ 4,374

FUNDED STATUS - PLAN SURPLUS (DEFICIT):

Surplus (deficit), end of year	\$ 5,329	\$ (4,374)
Unamortized past service cost	91	-
Unamortized actuarial loss (gain)	(768)	623
Unamortized transitional (asset) obligation	(280)	-
Accrued benefit asset (liability), end of year	\$ 4,372	\$ (3,751)

PENSION EXPENSE:

Current service cost, net of employee contributions	\$ 2,969	\$ -
Interest cost	5,014	295
Expected return on plan assets	(6,039)	-
Amortization of past service costs	7	-
Amortization of net actuarial loss	-	22
Amortization of transitional (asset) obligation	(32)	-
Net pension expense	\$ 1,919	\$ 317

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted average assumptions as at December 31, 2000):

	Pension plans	Other benefit plans
Discount rate	6.42%	7.50%
Expected long-term rate of return on plan assets	7.43%	-
Rate of compensation increase	3.75%	-
Assumed rate of increase in per capita cost of covered health care benefits	-	5.00%

Included in the above accrued benefit obligation and fair value of plan assets at year-end are the following amounts in respect of plans that are not fully funded:

	Pension plans	Other benefit plans
Accrued benefit obligation	\$ 32,725	\$ 4,374
Fair value of plan assets	28,374	-
Funded status - plan deficit	\$ 4,351	\$ 4,374

6. INTANGIBLE ASSETS:

Intangible assets are comprised of the following:

	2000	1999
Goodwill, net	\$ 25,210	\$ 34,681
Licence, net (i)	16,136	16,974
Patents and other, net (ii)	1,189	1,957
	\$ 42,535	\$ 53,612

(i) The cost and accumulated amortization of the licence at December 31, 2000 amounted to \$22,493 (1999 - \$21,649) and \$6,357 (1999 - \$4,675), respectively.

(ii) The cost and accumulated amortization of patents and other at December 31, 2000 amounted to \$1,993 (1999 - \$2,866) and \$804 (1999 - \$909), respectively.

7. LONG-TERM DEBT:

	2000	1999
Senior notes	\$ 137,954	\$ 144,330
Revolving credit	41,026	14,386
Loan payable (1999 - U.S. \$1,753)	-	2,530
	178,980	161,246
Less principal due within one year	11,996	12,221
	\$ 166,984	\$ 149,025

The Company issued and sold U.S. \$100,000 in senior notes on April 28, 1997 to replace the Company's term credit agreement with the bank, which was for the purpose of acquiring the packaging businesses of The Interlake Corporation in 1996. The first principal payment of U.S. \$8,000 was made as due on April 28, 2000. The senior notes are repayable on April 28 of each year per the following schedule: U.S. \$8,000 in 2001; U.S. \$8,000 in 2002; U.S. \$20,000 in 2003; U.S. \$20,000 in 2004; and U.S. \$36,000 in 2005. At the Company's option, on or after April 1, 2003, additional principal amounts of the senior notes may be repaid. The average life of the senior notes is 6.44 years. The notes are unsecured and bear interest as at December 31, 2000 at a rate of 6.99%.

The Company's revolving credit agreement with the bank provides for a \$75,000, 364 day facility convertible at the bank's option into a two-year term loan. The Company can borrow by direct advances at bank prime or at various bankers' acceptances and LIBOR options during the revolving period which is renewable semi-annually. The loan is unsecured and bears interest as at December 31, 2000 at a rate of 7.48% (1999 - 7.08%).

Principal payments in the next five years are \$11,996 in 2001; \$11,996 in 2002; \$29,990 in 2003; \$29,990 in 2004 and \$53,982 in 2005.

Interest paid in 2000 was \$13,672 (1999 - \$12,817).

8. CAPITAL STOCK:

The authorized capital stock of the Company comprises an unlimited number of first preferred shares and an unlimited number of common shares. Details of issued and outstanding common shares for the years ended December 31, 2000 and 1999 are as follows:

	2000		1999	
	Shares	Amount	Shares	Amount
Balances at January 1	34,450,340	\$ 27,882	34,544,540	\$27,958
Shares purchased for cancellation	(1,149,400)	(931)	(94,200)	(76)
Balances at December 31	33,300,940	\$ 26,951	34,450,340	\$27,882

During 2000, the Company purchased and cancelled 1,149,400 common shares at an aggregate cost of \$6,712, of which \$931, equal to the book value of the shares, was allocated to share capital and the balance of \$5,781 to retained earnings.

Under the stock option plan, the Company has granted options to purchase common shares to certain directors, officers and key employees of the Company. These options vest at 40% after two years from grant date, and 20% each year thereafter. Each option gives the right to its holder to acquire one common share. The option prices are equal to the closing price of the common shares on The Toronto Stock Exchange on the trading day immediately prior to the day the options were granted. These options expire ten years after the grant date. While the assumed exercise of these stock options would have a dilutive effect, it would not change the reported earnings per share.

Changes in the Company's stock options are as follows:

	2000		1999	
	Options	Weighted average price	Options	Weighted average price
Balances at January 1	459,000	\$ 8.96	215,000	\$10.50
Options granted	212,000	5.35	244,000	7.60
Balances at December 31	671,000	\$ 7.82	459,000	\$ 8.96
Available for grant at December 31	86,000	\$10.50	-	\$ -

The following options were outstanding as at December 31, 2000. To date no options have been exercised.

	Number of options	Exercise prices	Weighted average remaining contractual life
Options granted in 1998	215,000	\$10.50	8
Options granted in 1999	244,000	7.60	9
Options granted in 2000	212,000	5.35	10
	671,000	\$ 7.82	9

9. COMMITMENTS AND CONTINGENCIES:

The Company has the following operating lease commitments covering certain buildings and equipment used in operations, requiring minimum payments of which 16% is to the majority shareholder of the Company:

2001	\$ 8,493
2002	6,771
2003	5,913
2004	4,509
2005	3,803
Thereafter	10,529
	\$ 40,018

As at December 31, 2000, the Company is committed to capital expenditures of approximately \$27,658 (1999 - \$8,210).

As at December 31, 2000, the Company was committed to the sale of U.S. \$29,000 under forward exchange contracts. The contracts are at rates of exchange ranging from Cdn.\$1.4843 to \$1.5410 maturing from January 9 to December 18, 2001.

The forward exchange contracts represent an obligation to exchange principal amounts between the Company and the counterparty. Credit risk exists in the event of nonperformance by the counterparty; however, this risk is minimized as each contract is with a major chartered bank and represents an exchange between the same parties allowing for an offset in the event of nonperformance.

The reported values of derivative financial instruments at December 31, 2000 approximate their fair values. The carrying amounts of cash and short-term investments, accounts receivable and short-term obligations approximate their fair values because of the near-term maturity of those instruments. The carrying value of long-term debt approximates its fair value as the debt bears interest at rates comparable to current market rates.

During 1992, the Company incurred a loss on its investment in Redipac Recycling Corporation ("Redipac"), which was subsequently placed into bankruptcy based upon findings of an independent investigation. Since that time, the Company has commenced court action against Redipac and some of its former managers and, on behalf of Redipac, against those former managers seeking to recover losses and punitive damages. In addition, one of the former managers has commenced actions against the Company and certain of its directors on his own behalf and on behalf of Redipac. The Company's legal counsel is of the opinion that the latter claims are without merit.

The Company is also involved in various other legal actions. In the opinion of management, the outcome of such proceedings will not have a material adverse effect on the financial position of the Company.

10. INCOME TAXES:

Effective January 1, 2000, the Company adopted the new recommendations of the CICA with respect to accounting for income taxes. The effect of adopting the liability method of tax allocation, on a retroactive basis, without restating the financial statements of prior periods was to increase (decrease) the following:

Future income taxes	\$ 9,501
Retained earnings	(10,004)
Cumulative translation adjustment	503

The tax effects of temporary differences that give rise to future income tax assets and liabilities are as follows:

FUTURE INCOME TAX ASSETS:

Accounts receivable	\$ 787
Inventory	2,192
Fixed assets	2,316
Intangible assets	3,202
Accounts payable	3,453
Tax losses	11,453
Total future income tax assets	23,403
Valuation allowance	(3,443)
Net future income tax assets	19,960
Less current portion	9,343
Non-current future income tax assets	\$ 10,617

12. SEGMENTED INFORMATION:

The Company operates in three business segments - Packaging, Metal Processing and Distribution, primarily within the North American and European markets.

Business Segments - 2000:

	Packaging	Metal Processing	Distribution	Corporate	Consolidated
Net Sales	\$ 404,762	\$ 302,734	\$ 98,986	\$ -	\$ 806,482
Earnings (loss) before restructuring charge, interest and goodwill amortization	\$ 14,110	\$ 41,638	\$ 2,903	\$ (3,815)	\$ 54,836
Restructuring charge					(18,586)
Interest on long-term debt					(11,908)
Interest on short-term debt					(1,476)
Interest income					342
Earnings before income taxes and goodwill amortization					\$ 23,208
Identifiable assets	\$ 272,370	\$ 218,982	\$ 57,661	\$ 6,085	\$ 555,098
Depreciation and amortization	\$ 12,458	\$ 13,552	\$ 692	\$ 290	\$ 26,992
Goodwill amortization, net of income taxes	\$ 1,860	\$ 23	\$ -	\$ -	\$ 1,883
Net capital expenditures	\$ 6,353	\$ 19,519	\$ 665	\$ 193	\$ 26,730

FUTURE INCOME TAX LIABILITIES:

Deferred pension costs	\$ 1,315
Fixed assets	24,137
Intangible assets	382
Total future income tax liabilities	\$ 25,834

The Company's effective income tax rate is derived as follows:

	2000	1999
Basic Canadian tax rate	41.5%	41.6%
Federal surtax	1.1	1.1
Manufacturing and processing profits credit	(6.1)	(5.8)
Effect of different tax rates in foreign jurisdictions	(19.3)	(6.0)
Non-deductible amortization of fixed assets and goodwill	5.4	2.4
Effect of previously unrecognized temporary differences and tax rate changes	(4.5)	-
Effect of foreign exchange translation	(3.2)	-
Other	(2.2)	(0.9)
Effective tax rate	12.7%	32.4%

The Company has non-capital losses of approximately \$13,800 available to offset future taxes payable, the benefit of which has been recognized in the consolidated financial statements. In addition, the Company has net capital losses of approximately \$6,400, which can be carried forward indefinitely to offset future capital gains. The benefit of the net capital losses has not been reflected in the consolidated financial statements.

Income taxes paid in 2000 were \$14,304 (1999 - \$14,991).

11. RELATED PARTY TRANSACTIONS:

The Company had transactions with its parent and affiliates as follows:

	2000	1999
Sales of goods and services	\$ 11,506	\$ 11,990
Purchases of goods and services	11,387	9,658

Accounts payable and accrued liabilities include amounts due as at December 31, 2000 to the parent and its affiliates of \$1,434 (1999 - \$1,663).

Accounts receivable includes amounts due as at December 31, 2000 from the parent and its affiliates of \$837 (1999 - \$1,822).

Business Segments - 1999:

	Packaging	Metal Processing	Distribution	Corporate	Consolidated
Net Sales	\$ 402,034	\$ 305,361	\$ 85,959	\$ -	\$ 793,354
Earnings (loss) before interest and goodwill amortization	\$ 20,941	\$ 49,624	\$ (1,144)	\$ (4,314)	\$ 65,107
Interest on long-term debt					(11,763)
Interest on short-term debt					(1,146)
Interest income					179
Earnings before income taxes and goodwill amortization					\$ 52,377
Identifiable assets	\$ 267,511	\$ 186,033	\$ 49,000	\$ 8,990	\$ 511,534
Depreciation and amortization	\$ 11,756	\$ 11,320	\$ 647	\$ 384	\$ 24,107
Goodwill amortization, net of income taxes	\$ 1,886	\$ 23	\$ -	\$ -	\$ 1,909
Net capital expenditures	\$ 2,370	\$ 17,561	\$ 599	\$ 223	\$ 20,753

Geographic Segments:

	2000	1999
Net sales from North American businesses	\$ 749,634	\$ 738,996
Net sales from European businesses	56,848	54,358
	\$ 806,482	\$ 793,354

	2000	1999
Earnings before restructuring charge, interest and goodwill amortization in North American businesses	\$ 57,420	\$ 67,524
Earnings before restructuring charge, interest and goodwill amortization in European businesses	1,231	1,897
Corporate expenses before interest and goodwill amortization	(3,815)	(4,314)
Earnings before restructuring charge, interest and goodwill amortization	54,836	65,107
Restructuring charge	(18,586)	-
Interest on long-term debt	(11,908)	(11,763)
Interest on short-term debt	(1,476)	(1,146)
Interest income	342	179
Earnings before income taxes and goodwill amortization	\$ 23,208	\$ 52,377

	2000	1999
Identifiable assets in North American businesses	\$ 493,771	\$ 445,930
Identifiable assets in European businesses	55,242	56,614
	549,013	502,544
Corporate assets	6,085	8,990
	\$ 555,098	\$ 511,534

	2000	1999
Export sales of North American production to foreign countries	\$ 10,168	\$ 10,946
Export sales of European production to foreign countries	27	72

13. BUSINESS ACQUISITION:

Effective June 22, 2000, the Company acquired the net assets and business of WorldClass Processing Inc. This acquisition has been accounted for under the purchase method of accounting and the results of operations since the acquisition have been included in the consolidated statement of earnings. Details of the consideration given and the fair value of net assets acquired are as follows:

Cash consideration	\$ 27,056
Net assets acquired, at fair values:	
Accounts receivable	\$ 2,491
Inventories	609
Prepaid expenses	275
Fixed assets	27,910
Accounts payable	(4,229)
Net assets acquired	\$ 27,056

Effective June 1, 1999, Samuel Steel Pickling, the Company's U.S. pickling partnership, acquired the 15.79% interest held by a minority partner. As a result, the Company's ownership interest in the partnership increased from 57.89% to 68.75%. Details of the Company's share of the purchase cost and assets acquired are as follows:

Cash consideration	\$ 3,444
Net assets acquired, at fair values:	
Accounts receivable	\$ 358
Inventories	16
Prepaid expenses	4
Fixed assets	3,250
Accounts payable	(184)
Net assets acquired	\$ 3,444

DIRECTORS



Elizabeth J. Samuel[†]
Chairman



Wayne K. Bassett, C.A.*[○]
Vice-President



Henry J. Knowles, Q.C.*[◆]
*Counsel
Sheldon Huxtable*



Mark C. Samuel^{†○}
President and CEO



Kenneth W. Harrigan, O.C.*^{†◆○}
*Past Chairman and CEO
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Canada, Limited*



Thomas H. Savage, CBE^{†◆}
*Past Chairman and President
ITT Canada Limited*



Rick M. Balaz
*Vice-President and General
Manager
Ontario Flat Rolled
Processing Group
Samuel, Son & Co., Limited*

* Member of Audit Committee

† Member of Human Resources and Compensation Committee

◆ Member of Corporate Governance Committee

○ Member of Merger/Acquisition and Investment Committee

OFFICERS



Elizabeth J. Samuel
Chairman



Wallace H. Rayner
*Executive Vice-President and
Chief Financial Officer*



Wayne K. Bassett
Vice-President



Mark C. Samuel
President and CEO



Don L. Eckhart
Vice-President Operations



Michael A. Evelyn
*Corporate Controller and
Secretary*

Packaging



Lewis T. Samuel
President
Samuel Strapping Systems
Group



M. Bruce Hannah
Vice-President and General
Manager
Samuel-Acme Strapping
Systems



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John Morton
Executive Vice-President
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Supply Management
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President and General
Manager
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Robert Foster
General Manager
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Graham Oakley
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President
Roll Form Group



Edward P. O'Connor
President
Steel Pickling Group



Gary E. Bullock
General Manager
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Tamo P. Bianchi
General Manager CMRM and
Vice-President Sales and
Marketing
Roll Form Group



William P. MacDonald
General Manager
Nelson Steel



Daniel J. Magee
General Manager
WorldClass Processing Corp.



Michael V. Newlands
President
Steel Fab

Distribution



David D. Neil
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Energy Steel Products, Inc.



John D. Jackson
General Manager
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Michael Q. Dyer
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Nelson Consulting & Technology

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Energy Steel Products

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TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada

Toronto, Ontario

AUDITORS

KPMG LLP

Mississauga, Ontario

ANNUAL MEETING

April 27, 2001, 4:30 p.m.
The Toronto Stock Exchange
Conference Centre
2 First Canadian Place, Toronto, Ontario

Corporate Environmental Policy

Samuel Manu-Tech Inc. believes that it is in the best interest of our employees, our shareholders and our community that we strive to provide safe and healthy workplaces, and to avoid any action which would damage the natural environment. Accordingly, we have adopted the following principles and policies in order to achieve this goal:

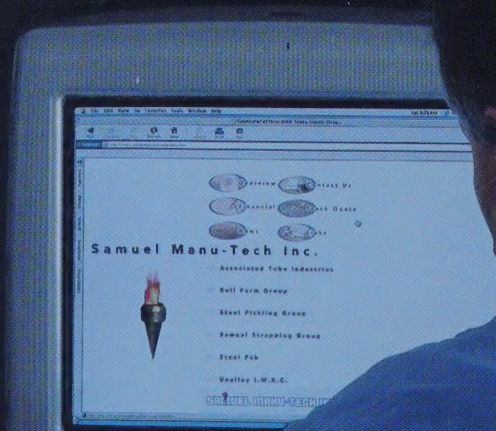
- Protection of the environment is the responsibility of everyone at Samuel Manu-Tech.
- Samuel Manu-Tech will meet or exceed all applicable environmental laws and regulations. To achieve this objective, the Company will conduct environmental audits and will regularly monitor environmental compliance.
- Samuel Manu-Tech will maintain a program for crisis management and will ensure that its employees are trained in environmental issues.
- Samuel Manu-Tech's Corporate Environmental Officer will be responsible for monitoring the Corporate Environmental Compliance Program. This officer will report on the Company's environmental performance to the President who in turn will regularly report on environmental issues to Samuel Manu-Tech's Board of Directors.
- Adherence to these environmental principles and policies will sustain the viability of our business and enable us to continue to provide value to our employees, customers, shareholders and communities.

Samuel Manu-Tech Inc. on the WorldWideWeb.

Samuel Manu-Tech Inc. is easily accessible on the Internet with all of its Corporate and Divisional information ready at the click of your finger. Under Corporate Information you will find Company Profile - Strategic Agenda - Quarterly Financial and Annual Reports - Latest Available Stock Quotations - News on Major Expansions and Acquisitions - Environmental Policy - and a List of its Operating Divisions.

Each of the Operating Divisions reveals General Information - Services and Products being offered - and a link to their individual websites connects you quickly to more detailed information and technical data. For example, Unalloy-IWRC as a distributor with its own award winning website publishes a product list and pricing - complete with on-line purchasing and inventory status given out to its regular customers.

www.samuelmanutech.com



**SAMUEL MANU-TECH INC.**

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